

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 04322 01 OF 02 271826Z

46

ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 AID-20 CEA-02 CIAE-00

COME-00 EA-11 FRB-02 INR-10 NEA-10 NSAE-00 RSC-01

OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08

SS-15 NSC-10 L-03 H-03 PRS-01 PA-03 USIA-15 AGR-20

TAR-02 XMB-07 RSR-01 OIC-04 /220 W

----- 074704

R 271720Z JUL 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5597

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 4322

PASS TREASURY, FRB AND CEA

E. O. 11652: NA

TAGS: EFIN EEC

SUBJ: MOVE TO SECOND STAGE OF ECONOMIC AND MONETARY UNION

-- DISCUSSION BY PERM REP WORKING GROUP

REF: A. EC BRUSSELS 3642 B. EC BRUSSELS A-186

1. SUMMARY. A WORKING GROUP OF THE EC COMMITTEE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 04322 01 OF 02 271826Z

OF PERMANENT REPRESENTATIVES, SET UP TO PREPARE

CONSIDERATION BY THE COUNCIL OF THE MOVE TO THE SECOND STAGE OF ECONOMIC AND MONETARY UNION, HELD ITS FIRST SESSION ON JULY 16-17. ACCORDING TO PERMANENT REPRESENTATION SOURCES, MOST REPRESENTATIVES THOUGHT THE RESULTS OF THE FIRST PHASE HAD BEEN DISAPPOINTING BUT OTHERWISE STUCK TO FAMILIAR POSITIONS -- THE FRENCH STRESSING THE IMPORTANCE OF MONETARY COORDINATION AND REGRETTING THE ABSENCE OF THREE MEMBER STATES FROM THE SNAKE, THE GERMANS PRESSING FOR GREATER ECONOMIC COORDINATION AS A PREREQUISITE FOR THE MOVE TO THE SECOND STAGE, AND THE BRITISH URGING PROGRESS ON REGIONAL POLICY BUT PLAYING DOWN THE IMPORTANCE OF THE TIMING OF THE SECOND PHASE AND NOT RULING OUT REJOINING THE SNAKE BY THE BEGINNING OF 1974. EC COMMISSION OFFICIALS CONTINUE TO BELIEVE THE SECOND PHASE, WHICH THEY CONSIDER ONE OF TRANSITION AND CONSOLIDATION, SHOULD BEGIN ON SCHEDULE AS AGREED UPON BY THE EC OCTOBER 1972 SUMMIT. THE NEXT MEETINGS OF THE GROUP ARE SCHEDULED FOR SEPTEMBER. THE MISSION IS FORWARDING BY AIRGRAM AN EC COMMISSION SYNOPSIS ON PROGRESS TO DATE IN ECONOMIC AND MONETARY UNION AND RELATED DOCUMENTS. END SUMMARY.

2. THE COMMITTEE OF PERMANENT REPRESENTATIVES HAS ESTABLISHED A WORKING GROUP TO ASSIST IT IN PREPARING FOR CONSIDERATION BY THE COUNCIL OF THE MOVE TO THE SECOND STAGE OF ECONOMIC AND MONETARY UNION. THE COUNCIL (FINANCE MINISTERS) WILL DISCUSS THIS SUBJECT AT ITS NEXT MEETING ON OCTOBER 25-26. AS A BASIS FOR ITS WORK, THE GROUP WILL UTILIZE THE COMMISSION'S COMMUNICATION TO THE COUNCIL ON THE SECOND STAGE (REF B), ANY CONCRETE PROPOSALS THE COMMISSION MAY SUBSEQUENTLY MAKE TO THE COUNCIL, AND FINALLY, THE REPORTS OF THE MONETARY, SHORT-TERM POLICY, MEDIUM-TERM POLICY, AND BUDGET COMMITTEES ON THE COMMISSION'S COMMUNICATION TO THE COUNCIL. (THESE REPORTS, TOGETHER WITH THE WORKING GROUP'S MANDATE AND A COMMISSION DOCUMENT GIVING A SYNOPSIS OF THE STATE OF PROGRESS ON LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 04322 01 OF 02 271826Z

MONETARY AND ECONOMIC UNION, ARE BEING FORWARDED SEPARATELY BY AIRGRAM TO EUR/RPE, WITH COPIES FOR TREASURY AND FRB.) THE GROUP IS EXPECTED TO REPORT BACK TO THE PERM REPS BY OCTOBER 1, 1973.

3. THERE FOLLOWS A RECAPITULATION OF THE VIEWS EXPRESSED BY THE MEMBERS OF THE GROUP AT ITS FIRST MEETING ON JULY 16-17.

HIGH-LEVEL COORDINATING GROUP. THE REPRESENTATIVES THOUGHT THE COORDINATING GROUP ESTABLISHED BY THE EC COUNCIL RESOLUTION OF MARCH 21, 1972, WAS TOO LOW LEVEL A BODY AND DID NOT, IN FACT, CONSIST OF SPECIAL REPRESENTATIVES OF MINISTERS AS CALLED FOR BY THE COUNCIL. THERE WAS GENERAL AGREEMENT THAT THE COORDINATING GROUP SHOULD BE GIVEN A LARGER ROLE. THE GERMANS NOTED THE ABSENCE OF PRELIMINARY CONSULTATIONS IN THE COUNCIL ON IMPORTANT ECONOMIC DECISIONS AS CALLED FOR BY THE COUNCIL RESOLUTION OF MARCH 21, 1972.

4. FISCAL HARMONIZATION. IT WAS AGREED THE COMMISSION WOULD PROVIDE A WORKING DOCUMENT ON THE DIFFICULTIES ENCOUNTERED IN THIS FIELD AND THAT THE GROUP WOULD THEN DECIDE WHICH ASPECTS OF FISCAL HARMONIZATION WERE ESSENTIAL FOR ECONOMIC AND MONETARY UNION.

5. LIBERALIZATION OF CAPITAL MOVEMENTS. THERE WAS GENERAL AGREEMENT THAT THE COMMUNITY HAD SUFFERED A SEVERE SETBACK IN THIS AREA. THE COMMISSION REPRESENTATIVES SAID THAT IT WAS IMPOSSIBLE TO REALIZE THIS GOAL IN THE NEAR-TERM AND THAT, IN THE APPLICATION OF CAPITAL CONTROLS, NO WAY HAD YET BEEN FOUND TO DISTINGUISH BETWEEN CAPITAL MOVEMENTS FROM OUTSIDE THE COMMUNITY AND THOSE WITHIN. THE GERMANS INSISTED, NONETHELESS, THAT LIBERALIZATION OF CAPITAL MOVEMENTS WITHIN THE COMMUNITY WAS ESSENTIAL.

6. REGIONAL POLICY. THE UK REPRESENTATIVE THOUGHT THAT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 04322 01 OF 02 271826Z

PROPOSALS ADVANCED THUS FAR WERE NOT AMBITIOUS ENOUGH. IRELAND AGREED, SAYING THE REPORT EVENTUALLY PRODUCED BY THE WORKING GROUP SHOULD STRESS THE HIGH PRIORITY OF REGIONAL POLICY

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 EC BRU 04322 02 OF 02 271901Z

41

ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 AID-20 CEA-02 CIAE-00

COME-00 EA-11 FRB-02 INR-10 NEA-10 NSAE-00 RSC-01

OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08

SS-15 NSC-10 L-03 H-03 PRS-01 PA-03 USIA-15 AGR-20

TAR-02 XMB-07 RSR-01 OIC-04 /220 W

----- 074989

R 271720Z JUL 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5598

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 2 OF 2 EC BRUSSELS 4322

AND INCLUDE THE OCTOBER EC SUMMIT DECLARATION THAT CALLED FOR THE CREATION OF A REGIONAL DEVELOPMENT FUND BY THE END OF 1973. THE DUTCH AND FRENCH ARGUED THAT THERE HAD BEEN NO SETBACK IN REGIONAL POLICY DURING THE FIRST PHASE, THE DUTCH SAYING THAT REGIONAL POLICY SHOULD PARALLEL PROGRESS IN OTHER ASPECTS OF ECONOMIC AND MONETARY UNION.

7. MONETARY INTEGRATION. THE FRENCH ADVOCATED MORE SECRECY IN DISCUSSIONS OF MONETARY MATTERS IN THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 04322 02 OF 02 271901Z

MONETARY AND CENTRAL BANK GOVERNORS COMMITTEES. THEY ALSO OBSERVED THAT WITH RESPECT TO A COMMON EC POSITION IN INTERNATIONAL FORA, THE COMMUNITY HAD MADE SOME PROGRESS IN PRINCIPLES BUT LITTLE IN THE PRACTICAL DETAILS. THE FRENCH REPRESENTATIVE COMPLAINED THAT THE ABSENCE FROM THE SNAKE OF

THREE MEMBER STATES WAS A HINDRANCE TO FURTHER PROGRESS. HE URGED THAT THE PERM REPS BE ASKED TO DECIDE IF THE SNAKE WAS REALLY A FUNDAMENTAL PART OF THE FIRST PHASE AND, IF THE ANSWER WAS YES, WHEN AND UNDER WHAT CONDITIONS THE THREE ABSENT COUNTRIES WOULD RETURN TO THE SNAKE.

8. THE GERMANS SAID CONSIDERABLE PROGRESS IN THE MONETARY FIELD HAD ALREADY BEEN ACHIEVED AND THAT GIVEN THE DISPARITIES OF THE ECONOMIES OF THE MEMBER STATES, LITTLE MORE COULD BE DONE IN THE ABSENCE OF GREATER ECONOMIC COORDINATION, WHICH THEY VIEWED AS A NECESSARY CONDITION OF MOVEMENT TO PHASE 2.

9. THE UK REPRESENTATIVE REJECTED FRENCH STRICTURES ON PARTICIPATION IN THE SNAKE, SAID THAT THE FUNCTIONING OF THE SNAKE DEPENDED ON THE ECONOMIC SITUATION IN THE MEMBER STATES AS WELL AS CONFIDENCE IN MEMBER STATE CURRENCIES, AND THAT IT WAS TOO EARLY TO CONCLUDE THAT THE POUND WOULD NOT BE IN THE SNAKE BY JANUARY 1, 1974. ITALY VOICED SIMILAR VIEWS WITH REGARD TO ITALIAN PARTICIPATION.

10. THE NETHERLANDS REPRESENTATIVE WAS SKEPTICAL ABOUT PROGRESS THUS FAR IN MONETARY INTEGRATION. HE SAID THE SNAKE WAS MORE OF A EUROPEAN THAN A COMMUNITY CREATION WITH SOME MEMBER STATES OUT AND SOME NON-MEMBER STATES IN. HE ARGUED THAT ECONOMIC COORDINATION, THOUGH ESSENTIAL, WOULD NOT NECESSARILY PRESERVE THE SNAKE IN THE PRESENT CIRCUMSTANCES.

11. MONETARY COOPERATION FUND. THE NETHERLANDS AND GERMAN REPRESENTATIVES SAID THE FUND WAS THE ONLY REAL SUCCESS IN THE FIRST PHASE. THE FRENCH REPRESENTATIVE DISMISSED THE FUND AS A "GREAT LITERARY TRIUMPH DEVOID OF SUBSTANCE".

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 04322 02 OF 02 271901Z

12. OBJECTIVES OF FINAL PHASE. THE DUTCH REPRESENTATIVE RECALLED THE COUNCIL'S RESOLUTION OF MARCH 22, 1971, WHICH CALLED FOR A DECISION BEFORE THE END OF THE FIRST PHASE ON MEASURES LEADING EVENTUALLY TO FULL ECONOMIC AND MONETARY UNION AND THEN SAID IT WAS NOW TIME TO DEFINE THE OBJECTIVES OF THE FINAL PHASE AS A PRE-CONDITION FOR MOVEMENT INTO THE SECOND PHASE. THE GERMANS BASICALLY AGREED BUT DEMURRED ON DEFINING AT THIS TIME ALL INSTITUTIONAL QUESTIONS IN THE FINAL PHASE.

13. THE PRESIDING DANISH REPRESENTATIVE CLOSED THE MEETING

BY ASKING THE REPRESENTATIVES TO SUBMIT A LIST OF CONCRETE MEASURES DEEMED NECESSARY FOR MOVEMENT TO THE SECOND PHASE. THE FRENCH REPRESENTATIVE NOTED IN PASSING THAT THE EUROPEAN SUMMIT IN OCTOBER 1972 DID NOT DECIDE THAT PHASE 2 HAD TO BEGIN ON JANUARY 1, 1974, BUT RATHER THAT "THE NECESSARY DECISIONS SHOULD BE TAKEN IN THE COURSE OF 1973 TO ALLOW TRANSITION TO THE SECOND STAGE OF ECONOMIC AND MONETARY UNION ON JANUARY 1, 1974..."

14. THE NEXT MEETINGS OF THE WORKING GROUP ARE SCHEDULED FOR SEPTEMBER 6-7; SEPTEMBER 20-21; AND SEPTEMBER 26-27.

15. EC COMMISSION OFFICIALS HAVE TOLD US THEY ARE DISCOURAGED OVER THE APPARENT INABILITY OF THE MEMBER STATES TO AGREE ON THE NEXT STEPS. THESE OFFICIALS BELIEVE THAT CONCRETE ACCOMPLISHMENTS ARE MORE IMPORTANT THAN THE TIMING OR NATURE OF THE SECOND PHASE BUT THAT, IN ANY CASE, IT SHOULD BEGIN ON JANUARY 1, 1974, IN ACCORDANCE WITH THE RESOLUTION OF THE OCTOBER SUMMIT.

16. COMMENT: OUR IMPRESSION AT THIS TIME IS THAT THERE IS A GOOD CHANCE THE SECOND PHASE WILL BE DELAYED AND THAT ANY DECISION TO BEGIN IT ON SCHEDULE WILL BE A MERE FORMALITY. THE FRENCH ARE SAYING THERE CAN BE NO PHASE 2 WITHOUT THE PARTICIPATION OF THE LIRA AND THE POUND IN THE COMMUNITY'S MONETARY ARRANGEMENTS; THE GERMANS ARE STRESSING ECONOMIC COORDINATION AND EVEN DOING SO FAR AS TO SUGGEST, ACCORDING TO ONE OF OUR SOURCES, THAT THE UK SHOULD LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 04322 02 OF 02 271901Z

NOT PARTICIPATE IN THE SNAKE. THE GERMANS PREFER TO PROLONG THE FIRST PHASE.

17. THE UK, WHILE COMPLAINING ABOUT THE DOUBTS OF OTHER MEMBER STATES AS TO WHETHER OR NOT THE UK WILL JOIN THE SNAKE, APPEARS MORE CONCERNED ABOUT PROGRESS IN REGIONAL POLICY THAN COORDINATION OF ECONOMIC POLICY OR THE DATES ON WHICH THE SECOND PHASE SHOULD BEGIN. THE DUTCH ARE CONCERNED ABOUT A DEFINITION OF OBJECTIVES IN THE FINAL PHASE AND THE DISTRIBUTION OF AUTHORITY AND RESPONSIBILITY AMONG COMMUNITY INSTITUTIONS, A SUBJECT ON WHICH LITTLE SEEMS LIKELY TO BE DONE IN THE NEAR FUTURE.

18. THE END RESULT COULD BE A COMPROMISE IN THE FORM OF A KIND OF PHASE 1-B, WHICH, THOUGH LITTLE MORE THAN A PERIOD OF TRANSITION AND CONSOLIDATION, WOULD PRESERVE SOME SEMBLANCE OF MOMENTUM TOWARD ECONOMIC AND MONETARY UNION.
END COMMENT.HARTMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU04322
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973078/aaaaafpm.tel
Line Count: 329
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 A. EC BRUSSELS 3642 B. EC BRUSSEL, S A-186
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 06 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Sep-2001 by smithrj>; APPROVED <05-Nov-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MOVE TO SECOND STAGE OF ECONOMIC AND MONETARY UNION -- DISCUSSION BY PERM REP WORKING GROUP
TAGS: EFIN, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005